MCI

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MAR 1 4 1997

Federal Communications Commission

March 14, 1997

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

Re: CC Docket 96-128

Dear Mr. Caton:

Today, Mary Sisak, Don Lynch and I met with Regina Keeney, Mary Beth Richards, John Muleta and Michael Carowitz of the Common Carrier Bureau. The purpose of the meeting was to review issues related to the implementation of the FCC's Payphone Compensation Order. The attached materials were used during the meeting and detail the topics discussed.

Please add this letter and the enclosed copy to the record of this proceeding.

Sincerely,

Leonard S. Sawicki

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Attachment

cc: Mr. Carowitz
Ms. Keeney
Mr. Muleta
Ms. Richards

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List ABCDE

Payphone Compensation

Financial and Operational Impact

MCI - March 1997

Financial Impact

- Total Payphone Compensation Cost to IXC industry is $1.3B annually.

LEC Phone Counts 1,655k x $45.85 x 12mos.	$911M
O+ RBOC Comp (30calls x $.35 x 12 x 1,280k)	$161
Total LEC Compensation	$1,072M
COCOTs 390k x $45.85 x 12mos.	$215
Total Payphone Compensation	$1,287M
MCI's Share	$225M to $250M

Interstate LEC Rate Reductions

	Interstate CCL Reductions Filed
Ameritech	$5.2M
Bell Atlantic	$46.3
Bell South	--
NECA	$12.1
NYNEX	$46.4
PacBell	$28.3
SNET	$6.0
Sprint	$5.9
SBC	$39.1
US West	$18.2
	$207.5M
MCI's Projected Impact	$39.0M

Intrastate LEC Rate Filings

- SWB
  - MO $600K identified, no reductions
  - TX $30K Surplus, no reductions
  - KS, AR, OK - No reductions
- GTE
  - TX - No reductions
  - FL - MCI Filed $9.6M complaint, GTE filed to dismiss.
- NYNEX - No reductions
  - MA, VT, NH - Filed to increase Coin Rate
- Bell South
  - FL - MCI Filed $37M complaint
- SNET - Filed to mirror interstate CCL

MCI Operational Issues

- System Development ($10M+) - Payphone Compensation Development encompasses many MCI systems and departments.
  - Network Provisioning
  - Billing & Collection
  - Product Development (Blocking)
  - Intelligent Network Platforms (USAN - Prepaid)
  - Traffic Engineering
  - Audit Tracking
  - Fraud Detection/Prevention
- Feature Group B (950 dialing) Issues - $4.3M
  - Bell Atlantic has indicated it will charge $3.2M for Switch Development.
  - NYNEX has refused to make the necessary changes because the demand is limited.

Cost of Receiving Information Digits

- In many cases, MCI must pay for information digits in order to make compensation payments.
  - Some RBOCs require LIDB($.04/call) verification to provide info digits.
  - Other RBOCs have tariffed FLEX ANI services which provide info digits. This service is tariffed at a cost of $500 to $1,100 per CIC, per ACNA, per end office.

MCI Impacts and Other Issues

- MCI's share of Payphone Compensation is between $225M and $250M annually.
- MCI's share of the rate reductions is $39M.
- Bell South has utilized their Price CAP Headroom to eliminate access rate decreases caused by their Interstate subsidy elimination ($39M).
- RBOCs DO NOT Contribute to the Compensation pool even though they contribute to dial-around calling with their Card and 800 products.
- Per Call Fraud - Unknown exposure / Lacks IXC Control.

Actions Needed

- Certify that the LECs meet the requirements of the Payphone Order.
- Investigate why no intrastate rate reductions have been filed by the LECs.
- FCC should require LECs to comply with order by providing info digits at no additional cost to IXCs.
- Address $1B access charge increase, which is counter to intention of Access Charge Reform.

Carriers hit with $1 billion pay phone bill

By Steve Rosenbush
USA TODAY

A little-known wrinkle in the telecommunications law will cost major long-distance carriers about [illegible] $1 billion a year, and they [illegible] passing the expense along to the public.

Twenty-five major long-distance carriers must pay $45.85 a month for each of the 2.2 million pay phones in the country, USA TODAY has learned.

The fees cover the cost of toll-free and calling-card calls for which pay phone owners historically were not repaid.

The year-old telecommunications law required the Federal Communications Commission to come up with a system of compensation.

Long-distance carriers already have started paying the fee for the 350,000 pay phones not owned by phone companies. In April, they'll start paying for the 1.8 million pay phones owned by local phone companies. Monthly fees will be replaced in October with a 35¢-a-call charge carriers will pay to pay phone owners.

Long-distance carriers have asked the federal appeals court in Washington to overturn the compensation plan. But in the meantime they are raising rates. AT&T, for example, has hiked the rate it charges businesses for toll-free service by 3%, effective today.

The expense will eventually be passed along to consumers.

"If a telemarketing operator's expenses suddenly go up 3% a month, eventually that makes its way into the consumer's pocket," says Daniel Briere of the industry consulting group TeleChoice. "It's one of the hidden taxes of the Telecommunications Act."

MCI and Sprint weren't immediately available to comment. "I would expect more rate increases," Briere says. "It's just too much for the carriers to eat."

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Source-Date: Thu, 27 Feb 1997 17:41:48 -0500
From: nML Washington Telecom Newswire
EMS: INTERNET / MCI ID: 376-5414
MBX: WTN@cis.wdc.mci.com

TO: Multiple recipients of list WTN
EMS: INTERNET / MCI ID: 376-5414
MBX: WTN@cis.wdc.mci.com

Subject: Notes: Vermont, industry study, BellSouth, USA Today
Message-Id: 97022722484832/0003765414DC4EM
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U-Content-Type: TEXT/PLAIN; charset=US-ASCII

COMMUNICATIONS DAILY'S

WASHINGTON TELECOM NEWSWIRE

February 27, 1997 5:45 p.m. ET

WTN NOTEBOOK

TRADE ASSOCIATION DISPUTES USA TODAY REPORT ON PAYPHONES

Disputing a report Wednesday's USA Today, the American Public Communications Council (APCC) said today that there is no way that implementing the payphone provision of the Telecom Act will cost long distance companies more than $1 billion a year. APCC President Vincent Sandusky said data submitted to the FCC estimate conservatively that companies would save $650 million due to changes in the law. Furthermore, he said, customers should see reductions in their local phone bills because local telcos no longer can "force" consumers to subsidize payphones in expense pools used to calculate local phone rates.

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